

TAB
B

SECRET

THE JOINT CHIEFS OF STAFF
WASHINGTON 25, D.C.

C O P Y

13 June 1957

MEMORANDUM FOR THE SECRETARY OF DEFENSE

Subject: Future Course of Action with Respect
to COCOM/CHINCOM (C)

1. The Joint Chiefs of Staff view with grave concern the seeming intention of certain of our Allies to reduce or abolish meaningful controls on trade with the Sino-Soviet Bloc. The recent CHINCOM negotiations, for example, demonstrated clearly a trend on the part of most participating countries to subordinate national and collective security aspects of the trade control question to purely commercial and political considerations. The effect of reduced controls on Communist Chinese military build-up appears to have received no more than passing notice in CHINCOM. In the wake of Western failure to preserve a united front on maintaining the China differential, there are indications that relaxation or elimination of controls on trade with the USSR and her European satellites may be next on the calendar of policy modifications by one or more of our Allies.

2. These developments have led the Joint Chiefs of Staff to analyze the history of COCOM/CHINCOM controls and to relate the results of this analysis to the security of the United States. The more important conclusions stemming from this undertaking may be summarized as follows:

a. As related to Communist China:

(1) In terms of political prestige, Communist China will reap substantial benefits from the recent Western division over CHINCOM controls, largely at the expense of the United States.

(2) Although Communist China stands to reap certain gains in terms of expanded Western trade as the result of CHINCOM relaxations, she has been generally engaged in the maximum level of total trade which she could finance with her own resources. This situation could be altered in event the Soviet Union is prepared to underwrite a program of expanded Communist China trade.

JCS/DoD review(s) completed.

SECRET

SECRET

(3) For the short range, reduction in controls on trade with Communist China probably will not materially affect the dollar value* of her trade; it will, however, result in a change in the pattern* of trade since Communist China will be able to redirect her available credits to the purchase of the now available strategic commodities essential to development of her industrial base and to her military build-up.

(4) As Communist China obtains greater quantities of key strategic commodities plus technical assistance which enable her to increase production of raw materials and other exportable surpluses, she can then market these items to enlarge her overseas credits. This in turn affords her the basic means of expanding further her purchase of strategic commodities as well as her political influence.

(5) While the China differential was not designed to strangle trade with Communist China, it did serve to retard her industrial growth and the ability to translate this growth into military action. Now, however, transportation strains will be eased, prices reduced, excessive middle men and trade representatives eliminated. Flexibility of purchase and rational industrial programming will be facilitated. Stresses and strains within the Bloc will be relieved, thus assisting the extraordinary efforts now being undertaken by the Bloc to reconstitute its unnatural economic structure.

(6) The prospects of increased trade between Japan and Communist China will produce a heightened sensitivity on the part of the former to Communist pressure.

(7) Competition within various Western countries for Communist Chinese trade could result in the granting of favorable long-term loans and credits to the latter country.

b. As related to the USSR and her European Satellites:

(1) The "shopping lists" presented by Soviet leaders during their visit to the United Kingdom in the spring of 1956, Krushchev's recent televised plea for increased trade and business contacts with the West and similar

*Underlined for emphasis.

SECRET

overtures by Bloc leaders and representatives make it clear that the USSR is anxious to obtain selected strategic and technologically advanced commodities from the West. Success in this endeavor reduces the load on her own research, developmental, and industrial establishment and obtains for her those items which she obviously needs to fulfill and/or accelerate her industrial and military programs.

(2) The Soviet Union and, under her tutelage, the remaining Bloc nations employ foreign trade as a cold war weapon. Through it they achieve political and economic penetration of countries in which they wish to promote the aspirations of international Communism. Relaxation of COCOM controls will, therefore, work to the direct benefit of Soviet cold war apparatus.

3. When weighed against the national and collective security interests of the United States, the foregoing conclusions serve to emphasize in strongest terms:

a. The need for preservation of effective controls against Sino/Soviet Bloc trade. In the view of the Joint Chiefs of Staff the minimum acceptable control formula for application to the USSR, the European Satellites and Communist China is found under the COCOM procedures. Any further erosion of these controls must be viewed from a military point of view as imposing an increasing threat to our national and collective security by virtue of its direct contribution to Bloc military build-up.

b. The urgent requirement for further review by the National Security Council of U.S. economic defense policy to insure that it upholds and promotes fully the requirements of national and collective security. This review should consider:

(1) Possible application of Battle Act, Export Control Act and Trading With the Enemy Act restrictions on trade with certain of our Allies in response to their widened trade with Communist China.

(2) The posture to be adopted by the United States in the face of possible action on the part of our Allies further to weaken the COCOM/CHINCOM controls.

SECRET

SECRET

(3) The advisability of introducing the trade control question into the North Atlantic Council to insure that the strategic and security aspects of this vital Western cold war instrument are accorded proper emphasis vis-a-vis economic and commercial considerations. The Joint Chiefs of Staff are strongly of the opinion that this step should be taken, and that the United States should thereafter intensify its role of leadership in defending the controls.

(4) In event of referral of the trade control question to NATO, the procedures to be adopted for coordination with Japan.

(5) The manner and timing of further discussions of U.S. economic defense policy with Congressional leaders.

4. The Joint Chiefs of Staff consider that the required degree of emphasis on review of U.S. economic defense policy can best be achieved by action on your part to request such review by the National Security Council. Accordingly, they recommend this course of action as a matter of priority, the review to include those considerations enumerated in the preceding paragraph.

For the Joint Chiefs of Staff:

(Signed)
ARTHUR RADFORD,
Chairman,
Joint Chiefs of Staff,

SECRET